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INTERNATIONAL ASSETS HOLDING CORP
Form DEF 14A
January 14, 2003

SCHEDULE 14A

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934

Filed by the Registrant [X]

Filed by a Party other than the Registrant []

Check the appropriate box:

[] Preliminary Proxy Statement

[] Confidential, for Use of the
Commission Only (as permitted
by Rule 14a-6(e) (2))

[X] Definitive Proxy Statement

[] Definitive Additional Materials

[] Soliciting Material Pursuant (S)240.14a-12

INTERNATIONAL ASSETS HOLDING CORPORATION

(Name of Registrant as Specified in its Charter)

(Name of Person (s) Filing Proxy Statement, if other than Registrant)

Payment of Filing Fee (Check the appropriate box):

[X] No fee required.

[] Fee computed on table below per Exchange Act Rules 14a-6(i) (1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction
computed pursuant to Exchange Act Rule 0-11 (set forth the
amount on which the filing fee is calculated and state how it
was determined):

(4) Proposed maximum aggregate value of transaction:

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(5) Total fee paid:

[] Fee paid previously with preliminary materials.

[] Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11 (a) (2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration No.:

(3) Filing Party.

(4) Date Filed:

INTERNATIONAL ASSETS HOLDING CORPORATION
CENTER POINTE TWO
220 CENTRAL PARKWAY, SUITE 2060
ALTAMONTE SPRINGS, FLORIDA 32701

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

February 28, 2003

TO THE STOCKHOLDERS OF
INTERNATIONAL ASSETS HOLDING CORPORATION

The annual meeting of the stockholders of International Assets Holding Corporation, a Delaware corporation, will be held on Friday, February 28, 2003, at 10:00 a.m. local time, at the Company's corporate offices, Center Pointe Two, 220 E. Central Parkway, Suite 2060, Altamonte Springs, Florida, 32701 for the following purposes:

1. To elect a Board of six Directors to serve until the next annual meeting and until their successors shall have been elected and qualified.

2. To approve the action of the Board of Directors in selecting KPMG LLP as auditors to audit the consolidated financial statements of International Assets Holding Company and subsidiaries for the period commencing

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October 1, 2002 and ending September 30, 2003.

3. To consider and approve the specific provision within Section 8 of the three Share Subscription Agreements for Sean O'Connor, Scott Branch and John Radziwill that requires the conversion of Series A Preferred stock to common stock. Upon conversion of the Series A Preferred stock and issuance of common shares, the three investors in total will own 48% of the assumed post conversion outstanding shares of 4,563,075. The assumptions are that there will be no additional shares issued, no stock options exercised, and that the number of preferred shares converted into common shares is 2,187,500.

4. To consider and approve an amendment of the Company's Certificate of Incorporation to require at least a 75% vote of stockholders to remove or change the Chairman of the Board.

5. To approve the proposed International Assets Holding Corporation 2003 Stock Option Plan.

6. The transaction of such other business as may properly be brought before the meeting.

Stockholders of record at the close of business on December 26, 2002 will be entitled to vote at the meeting. We hope that you will attend the meeting, but if you cannot do so, please fill in and sign the enclosed proxy, and return it in the accompanying envelope as promptly as possible. Any stockholder attending the meeting can vote in person even though a proxy has already been returned.

By Order of the Board of Directors

DIEGO J. VEITIA
Chairman

P.S. In order to save your Company the additional expense of further solicitation, please be kind enough to complete and return your proxy card today.

Altamonte Springs, Florida

January 14, 2003

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INTERNATIONAL ASSETS HOLDING CORPORATION

Center Pointe Two

220 E. Central Parkway

Suite 2060

Altamonte Springs, Florida 32701

PROXY STATEMENT

This proxy statement is furnished in connection with the solicitation by or on behalf of the Board of Directors of International Assets Holding

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Corporation (the "Company?") for use at the Annual Meeting of Stockholders (the "Annual Meeting") to be held in the Company's corporate offices at Center Pointe Two, 220 E. Central Parkway, Suite 2060, Altamonte Springs, Florida, on Friday, February 28, 2003 at 10:00 a.m. local time.

Proxy Solicitation

All proxies in the enclosed form which are properly executed and returned to the Company will be voted as provided for therein at the Annual Meeting or at any adjournments thereof. A stockholder executing and returning a proxy has the power to revoke it at any time before it is exercised by giving written notice of such revocation to the Secretary of the Company. Signing and mailing the proxy will not affect your right to give a later proxy or to attend the Annual Meeting and vote your shares in person.

The Board of Directors intends to bring before the Annual Meeting the matters set forth in items 1, 2, 3, 4, and 5 in the foregoing notice. The persons named in the enclosed proxy and acting thereunder will vote with respect to items 1, 2, 3, 4, and 5 in accordance with the directions of the stockholder as specified on the proxy card. If no choice is specified, the shares will be voted IN FAVOR of the election of the six directors named under item 1; IN FAVOR of ratification of KPMG LLP as auditors; IN FAVOR of the conversion of the Series A Preferred shares into common shares as described in Item 3; IN FAVOR of the proposed amendments to the Company's Certificate of Incorporation to require a super majority vote of at least 75% of the stockholders to remove the Chairman of the Board from office as described in Item 4; and, IN FAVOR of the International Assets Holding Corporation 2003 Stock Option Plan as described in Item 5. If any other matters are properly presented to the meeting for action, it is intended that the persons named in the enclosed Proxy and acting thereunder will vote in accordance with the views of management thereon. This Proxy Statement and Form of Proxy are being first sent to stockholders on or about January 10, 2003.

With respect to the election of Directors (Item 1), the six nominees receiving the greatest number of votes will be elected. The affirmative vote of a majority of the votes cast at the meeting is required for the ratification of the selection of independent public accountants (Item 2). The affirmative vote of a majority of the votes cast at the meeting is required for approval of the conversion of shares of Series A Preferred shares into common shares (Item 3). The affirmative vote of a majority of the outstanding shares as of the record date is required for approval of the proposed amendment to the Company's Certificate of Incorporation (Item 4). The affirmative vote of a majority of the votes cast at the meeting is required for approval of the International Assets Holding Corporation 2003 Stock Option Plan. (Item 5).

Abstentions and broker non-votes will be treated as shares present and entitled to vote on the subject matter at the Annual Meeting. Thus, an abstention or broker non-vote will not be counted for or against the proposals in Items 1, 2, 3 and

5. An abstention or broker non-vote will have the effect of a vote against the proposed amendments to the Company's Certificate of Incorporation in Item 4.

The Company will bear the entire cost of preparing, printing and mailing this proxy statement, the proxies and any additional materials which may be furnished to stockholders. Solicitation may be undertaken by mail, telephone, telegraph and personal contact. The cost to solicit proxies will be borne by the

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Company. The Annual Report of the Company for its fiscal year ending September 30, 2002 has been mailed to stockholders with this proxy statement.

Voting Securities and Principal Holders Thereof

Holders of common stock of the Company of record at the close of business December 26, 2002, will be entitled to vote at the Annual Meeting or any adjournment thereof. As of December 26, 2002, the Company had outstanding 2,375,575 shares of common stock. The stockholders are entitled to one vote per share of common stock on all business to come before the meeting. The Company knows of three entities which own, control, or share dispositive powers over shares in excess of 5%. As of December 23, 2002, the Diego J. Veitia Family Trust owns 22.65% of the outstanding common stock. Diego J. Veitia, as sole beneficiary of the trust and through additional holdings, owns 28.42% of the outstanding common stock. Stephen A. Saker owns 5.08% of the outstanding common stock. As of December 23, 2002, the executive officers and directors of the Company as a group beneficially own in the aggregate 31.0% of the outstanding common stock of the Company.

ITEM 1 - ELECTION OF DIRECTORS

At the Annual Meeting six directors, constituting the entire Board of Directors of the Company, are to be elected to hold office until the next annual meeting or until their successors are elected and shall have qualified. Each nominee has consented to serve if elected. Officers are elected annually by the Board of Directors. The age, principal position of each nominee, and the year they first became a director and officer of the Company are as follows:

Name ----	Age () and Position -----	First Became Director -----	First Became Officer -----
Diego J. Veitia	(59) Director and Executive Chairman of the Board; Director and Chairman of the Board of INTL Trading, Inc. ("INTL")	1987	1987
Sean M. O'Connor	(40) Director and CEO of the Company; CEO and President of INTL; Director and CEO of OffshoreTrader.Com. ("OTCL")	2002	2002
Scott J. Branch	(40) Director and President of the Company; Director and President of OTCL and Director, Chairman and President of International Asset Management Corporation ("IAMC").	2002	2002

Name ----	Age () and Position -----	First Became Director -----
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Edward R. Cofrancesco	(40) Director, Executive Vice President and COO of the Company; Director, COO and Executive Vice President of INTL; and Director of OTCL	2002
Robert A. Miller, PhD	(60) Director of the Company	1998
John Radziwill	(55) Director of the Company	2002

Diego J. Veitia founded the Company in 1987 to serve as a holding company for its subsidiaries. He has served as Chairman of the Board and director since its inception. He served as Chief Executive Officer of the Company from its inception until December, 2002. He has also served as President of the Company for the following periods: from 1987 until 1991, from November 1999 through August 2000 and again from September 2001 to December, 2002. Mr. Veitia is also currently serving as Chairman of INTL. Until December, 2002, Mr. Veitia served as Chairman, Chief Executive Officer and President of IAMC, INTL and OTCL. Mr. Veitia also serves as Chairman of Veitia and Associates, Inc., an inactive registered investment advisor. During the last five years, Mr. Veitia has served as director of America's All Seasons Income Fund, Inc., an inactive management investment company until December, 1998. Until November 1, 2001, Mr. Veitia served as Chairman of the Board and President of International Assets Advisory Corp. ("IAAC") and Global Assets Advisors, Inc. ("GAA"). From November 1, 2001 until December 13, 2001, Mr. Veitia served as Chairman of the Board and President of International Assets Advisory, LLC ("IAAL") and Global Assets Advisors, LLC ("GAAL").

Sean M. O'Connor joined the Company in October, 2002 as Chief Executive Officer designate. In December, 2002 Mr. O'Connor was elected to the Board of Directors to assume the position vacated by Stephen A. Saker and currently serves as CEO. In November, 2002, Mr. O'Connor was also elected as President of INTL. In December, 2002 Mr. O'Connor was elected to the board of directors and as an officer of OTCL where he currently serves as CEO. Prior to joining the Company and its subsidiaries, from 1994 until 2002 Mr. O'Connor was CEO and director of Standard New York Securities, a division of Standard Bank. From 1999 until 2002 Mr. O'Connor served as Executive Director on the Board of Standard Bank London, Ltd., a U. K. registered bank and wholly owned subsidiary of the Standard Bank Group.

Scott J. Branch joined the Company in October, 2002 as President designate. In December, 2002 Mr. Branch was elected to the Board of Directors to assume the position vacated by Jerome F. Miceli and currently serves as President. In December, 2002 Mr. Branch was also elected to the board of directors and an officer of OTCL and IAMC. Prior to joining the Company and its subsidiaries Mr. Branch was General Manager of Standard Bank London, Ltd. From 1995 until 2002 Mr. Branch was affiliated with Standard Bank and its subsidiaries and at various times was responsible for the Eastern Mediterranean Region and the Forfaiting and Syndications Group. Mr. Branch also served as a director of Standard Yatirim Menkul Kivmetler AS, a Turkish broker/dealer and Standard Aval, a Czech finance company.

Edward R. Cofrancesco, Jr. was elected as a director of the Company in March, 2002 and elected Executive Vice President of the Company effective January 1, 2002. Mr. Cofrancesco served as Senior Vice President of Capital Markets for International Assets Advisory Corporation, the Company's former

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subsidiary, from December, 2000 until November, 2001 when he assumed the same position with INTL. In January, 2002 Mr. Cofrancesco became Managing Director and Chief Operating Officer of INTL. During the past five years Mr. Cofrancesco has also served as a vice president of institutional sales for Lehman Brothers and as Vice President and Manager of the international trading division of Raymond James.

Robert A. Miller, Ph.D. became a director of the Company in February, 1998. Dr. Miller has served as President of Nazareth College in Rochester, New York since 1998. In November 2000 Dr. Miller became a director of Bergmann Associates, LLC, a privately owned architectural and engineering firm with headquarters in Rochester, N.Y. Dr. Miller previously served as the Academic Vice President of Queens College in Charlotte, North Carolina from 1994 to 1998. Dr. Miller previously served as a director of America's All Seasons Income Fund, Inc. until December, 1998.

John Radziwill was elected as a director in December, 2002 to assume the position vacated by Jeffrey Rush. Mr. Radziwill is currently a director of Lionheart Group, Inc., USA Micro Cap Value Co Ltd, Goldcrown Group Limited (and subsidiaries), New York Holdings Limited, Acquisitor Plc and Acquisitor Holdings (Bermuda) Ltd. In the past five years he has also served on the boards of Air Express International, Corp., Interequity Capital Corporation, GP and Radix Organization Inc. Until 1997 he was a registered representative associated with Cohmad Securities Corporation. Mr Radziwill is a member of the Bar of England and Wales.

Director Remuneration

Members of the Board of Directors who are not officers or employees of the Company were paid an annual fee of \$12,000 for the fiscal year ended September 30, 2002. For fiscal year 2001 these directors were paid an annual fee of \$21,000 comprised of (i) \$15,000 which was deposited in installments into a Company brokerage account and paid to each director for the purchase of common stock of the Company in the open market, and (ii) \$6,000 payable in cash in quarterly installments of \$1,500 each. In addition to the 2001 annual fee, outside directors also received \$500 for each board meeting attended. The fee portion for stock purchases for one director was redirected for cash payment for the period June 2000 through June 2001. Such directors were also reimbursed for expenses relating to their attendance at meetings during the fiscal year. Director's fees for fiscal year 2003 will continue at \$12,000 annually.

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Meetings of the Board and Committees

There were three regularly scheduled meetings of the Board of Directors during fiscal year 2002 and five extraordinary telephonic meetings. No incumbent director attended fewer than 75% of the aggregate of (1) the total number of meetings of the board of directors held during fiscal year 2002 and (2) the total number of meetings held by all committees of the board on which he served during fiscal year 2002. The Board has established Audit, Compensation and Personnel/Nominating committees which are shown in the table below. The Compensation and Personnel/Nominating Committees met twice during the fiscal year. The Audit Committee, which is discussed in more detail later in this proxy statement, also met twice during the fiscal year.

Committees for Fiscal Year 2002

Committee

Chairman

Members

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Audit	Robert A. Miller	Jerome F. Miceli Jeffrey L. Rush
Compensation	Jeffrey L. Rush	Robert A. Miller Jerome F. Miceli
Personnel/Nominating	Robert A. Miller	Jerome F. Miceli Jeffrey L. Rush

Committees for Fiscal Year 2003

Committee	Chairman	Member
-----	-----	-----
Audit	John Radziwill	Robert A. Miller
Compensation	Robert A. Miller (These two members act as co-chairmen.)	John Radziwill
Personnel/Nominating	Robert A. Miller	John Radziwill

The three Share Subscription Agreements, attached as Exhibits I, III, and V, required that Sean O'Connor, Scott Branch and John Radziwill be elected as directors of the Board. The circumstances under which Stephen A. Saker, Jerome F. Miceli, and Jeffrey L. Rush resigned as member of the board were occasioned by this condition. Prior to their resignations the nominating committee, of which all three resigning directors were members, nominated the slate of six directors for election at the annual meeting of shareholders. Included with the nominations was the unanimous recommendation from these members that the shareholders elect the slate of nominees.

Other Executive Officers

Name	Age () and Position	First Became Officer
----	-----	-----
Jonathan C. Hinz	(40) Chief Financial Officer and Treasurer	1995

Jonathan C. Hinz joined the Company in October 1995 and currently serves as Chief Financial Officer and Treasurer for the Company, INTL, IAMC and OTCL. Mr. Hinz is a certified public accountant. Prior to November, 1999 Mr. Hinz served as Controller for the Company.

ITEM 2 - TO CONSIDER AND APPROVE APPOINTMENT OF AUDITORS

The Audit Committees of the Board for fiscal year 2002 and as comprised for fiscal year 2003 have selected KPMG LLP as independent public accountants to audit the consolidated financial statements of the Company and certain of its subsidiaries for the fiscal year 2003. The Board has endorsed this appointment and it is being presented to the stockholders for approval.

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KPMG LLP has audited the consolidated financial statements of the Company since 1990. Services that have been provided by KPMG LLP include: (1) regular audits of the Company's consolidated financial statements, assistance in SEC filings, and consultation on accounting and financial reporting matters; (2) audits of the financial statements of certain subsidiary companies to meet regulatory requirements; and (3) timely quarterly reviews and income tax preparation and consulting.

Representatives of KPMG LLP will be present at the Annual Meeting, will have an opportunity to make statements if they desire, and will be available to respond to appropriate questions.

If the stockholders do not approve the appointment of KPMG LLP, the Audit Committee will select another firm of auditors for fiscal year 2003.

Audit Committee

The Audit Committee established by the Board of Directors includes two members who are independent as defined in NASD Rule 4200. The Audit Committee makes recommendations concerning the engagement of independent auditors, reviews with the independent auditors the plans and results of the audit engagement, approves professional services provided by the independent auditors, reviews the independence of the independent auditors, considers the range of audit and non-audit fees and reviews the adequacy of the Company's internal accounting controls. As of September 30, 2002, the Company does not have an internal audit function. The Board of Directors has adopted the Charter of the Audit Committee which is attached as Exhibit 1 to this proxy statement. The Audit Committee met two times in 2002. Robert A. Miller, Jerome F. Miceli and Jeffrey L. Rush were members of the Audit Committee.

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Audit Committee Report

The Audit Committee oversees the Company's financial reporting process on behalf of the Board of Directors. Management has the primary responsibility for the financial statements and the reporting process, including the systems of internal controls. In fulfilling its oversight responsibilities, the Committee reviewed the audited consolidated financial statements in the Annual Report with management including a discussion of the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments, and the clarity of disclosures in the consolidated financial statements.

The Audit Committee reviewed with the independent auditors, who are responsible for expressing an opinion on the conformity of those audited consolidated financial statements with accounting principals generally accepted in the United States of America, their judgments as to the quality, not just the acceptability, of the Company's accounting principles and such other matters as are required to be discussed with the Committee under generally accepted auditing standards. The Committee has reviewed the written disclosures and the letter from the independent auditors required by Independent Standards Board Standard No.1. In addition, the Committee has discussed with the independent auditors the auditors' independence from management and the Company including the matters in the written disclosures required by the Independence Standards Board and considered the compatibility of non-audit services with the auditors' independence.

The Audit Committee discussed with the Company's independent auditors the overall scope and plans for their respective audits. The Committee meets with the independent auditors, with and without management present, to discuss the

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results of their examinations, their evaluations of the Company's internal controls, and the overall quality of the Company's financial reporting. The Committee held two meetings during fiscal year 2002.

In reliance on the reviews and discussions referred to above, the Committee recommended to the Board of Directors (and the Board has approved) that the audited consolidated financial statements be included in the Annual Report on Form 10-KSB for the year ended September 30, 2002 for filing with the Securities and Exchange Commission. The Committee and the Board have also recommended, subject to shareholder approval, the selection of the Company's independent auditors.

MEMBERS OF THE AUDIT COMMITTEE

Audit Fees, All Other Fees And Auditor Independence

For the year ended September 30, 2002 the Company paid its independent auditors, KPMG LLP, approximately \$48,850 for audit services and \$41,050 for other non-audit services. These non-audit services consisted primarily of corporate tax fees, review of corporate accounting matters, tax consultancy related to the sale of the Company's retail broker-dealer subsidiary, tax consultancy regarding the transaction relating to the three Share Subscription Agreements and due diligence. The Audit Committee has concluded that the providing of these non-audit services did not adversely impact the independence of KPMG LLP.

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YOUR DIRECTORS RECOMMEND THAT STOCKHOLDERS VOTE FOR THE APPOINTMENT OF KPMG LLP AS THE COMPANY'S INDEPENDENT PUBLIC ACCOUNTANTS.

ITEM 3 - TO CONSIDER AND APPROVE THE PROPOSAL IN SECTION 8 IN THE THREE SHARE SUBSCRIPTION AGREEMENTS FOR SEAN O'CONNOR, SCOTT BRANCH AND JOHN RADZIWILL THAT PROVIDES FOR THE CONVERSION OF SERIES A PREFERRED SHARES INTO SHARES OF COMMON STOCK

On October 22, 2002 the Board of Directors of the Company approved the three Share Subscription Agreements (the "Agreements") between the Company and each of Sean O'Connor, Scott Branch, and John Radziwill (the "three Investors") whereby the Company agreed to sell Series A Preferred stock to Messers O'Connor, Branch and Radziwill for aggregate consideration to the Company of \$3.7 million. Copies of the Agreements are attached as Exhibits I, III and V, respectively. On December 6, 2002 an amendment to each of the Agreements was further approved by the respective parties.

The Agreements provide for the purchase of Series A Preferred shares at a price of \$1.70 per share. The Series A Preferred shares are non-voting and non-convertible. Within the Agreements is a provision in Section 8 which requires the Company to seek the approval of stockholders to allow conversion of the Series A Preferred shares into common shares.

Under Rule 4350(i)(1)(B) and 4350(i)(1)(D) of The Nasdaq Stock Market Inc.'s Marketplace Rules, an issuer whose securities are listed on The Nasdaq Stock Market (Nasdaq) must seek shareholder approval:

- . when the issuance or potential issuance will result in a change of control of the issuer (the "Change of Control Rule"); or
- . in connection with a transaction other than a public offering

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involving:

- (a) the sale, issuance or potential issuance by the issuer of common stock at a price less than the greater of book or market value which, together with sales by officers, directors or substantial shareholders of the issuer, equals 20% or more of the common stock or 20% or more of the voting power outstanding before the issuance; or
- (b) the sale, issuance or potential issuance by the issuer of common stock equal to 20% or more of the common stock (or of the voting power) outstanding before the issuance for less than the greater of book or market value of the stock (the "20% Rule").

The approval of Item No. 3, and the subsequent automatic conversion of the Preferred shares into common shares of the Company' will cause the issuance of greater than 20% of the Company's common stock. The approval sought under this Item No. 3 will be effective to satisfy Nasdaq's required shareholder approval rules. A failure to obtain shareholder approval under such circumstances would violate Nasdaq's corporate governance rules, if the Company converted the Preferred shares to common shares without shareholder approval. Such a violation of Nasdaq rules might, in turn, result in the delisting of the Company's common stock from Nasdaq.

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If conversion of the Preferred shares is approved by the Company's stockholders at the Annual meeting, the Series A Preferred Shares will automatically be converted into common shares. Following the conversion, the Three Investors - Sean O'Connor, Scott Branch and John Radziwill will own or control, either directly or through related entities, as a group, approximately 48% of the post conversion outstanding shares of common stock. The initial share purchase agreements were subsequently amended to permit the Three Investors to assign all or a portion of their shares to trusts or other entities affiliated with them for tax or other purposes. The initial individual ownership interests for the three Investors or their controlled entities will be 19.3% for Mr. O'Connor, 16.1% by Mr. Branch, and 12.5% by Mr. Radziwill. Due to the non-voting status of the Series A Preferred, none of the three Investors will have the ability to vote for the approval of this provision, unless they acquire the Company's common shares in the open market before the Record Date, in which event they would be entitled to vote those common shares.

As described in Section 9 (a) of the Share Subscription Agreements, should the shareholders of the Company not approve the conversion of the Preferred shares to common shares at the Annual meeting, the Investors at their option have the right to redeem the preferred shares at the original cost of \$1.70 per share beginning 15 days after the Annual meeting and extending to a date that is six months after closing (June 6, 2003). The investors' redemption rights are applicable to each investor, and they need not act as a group with respect to their rights. The Company also has the right to repurchase the shares at its option at a cost of \$1.70 per share beginning 15 days after the Annual meeting and extending to a date that is six months after closing (June 6, 2003).

In the event that any or all of the Investors exercises his redemption rights, or the Company exercises its repurchase right, the Company will be forced to utilize cash up to the full \$3.7 million which was previously invested by the investors. Further, in the event Mr. Radziwill exercises his redemption right, or if the Company exercises its repurchase right as to Mr. Radziwill's shares, the Company is obligated to pay John Radziwill a fee of 6% per annum of the amount paid by Mr. Radziwill for his 569,853 shares of Series A Preferred

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shares (\$968,750), for the period of time from closing which was December 6, 2002, until the date of exercise. This 6% fee provision does not apply to either Mr. O'Connor or Mr. Branch.

Considerations Regarding Approval of this Item

In addition to the redemption of the purchase price which totaled approximately \$3.7 million there are other potential adverse effects should this provision not be approved.

Potential to Cause a Drop in the Price of the Company's Common Stock.

At the time of the public announcement of this transaction the Company's common stock had been trading at approximately \$.60 per share. The price has risen following the announcements concerning this transaction and the price of the Company's common stock is now approximately \$2.00 per share. A reversal of this transaction would likely cause the price of the stock to drop.

Significant Dilutive Effects

The Agreements provide that upon approval by the shareholders of the conversion of the Series A Preferred stock, the Company will issue shares of common stock, representing approximately 48% of the outstanding shares of common stock after giving effect to such issuances. This does not include any shares purchased in the open market by any of the Three Investors personally, or shares purchased in the open market by affiliates of the Three Investors.

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The issuance of shares of common stock to the Three Investors upon conversion will substantially dilute the ownership interests and voting rights of existing shareholders.

Diminished Ability to Carry Out the Company's Expansion Plans.

The Company through its subsidiary INTL Trading, Inc. has received approval from the NASD to open a branch office in New York City, and employ additional associated persons to carry out its expansion plans for an international fixed income trading business and enhance its existing equity trading and market making business. The Company has recently signed a lease for office space in New York City, and plans to be operational in that office by mid- January 2003. However, if the shareholders do not approve the conversion of the Series A Preferred shares, and any or all of the Three Investors seek redemption of their shares, the Company may have diminished ability to follow through on it's expansion plans.

Controlling Interest in the Company.

Should the provision be approved and the common shares issued, the Investors will control a significant percentage, approximately 48%, of the outstanding shares. If each Investor casts his vote in agreement with the other two they will possess the ability to impact and control shareholder approval or opposition to matters placed before shareholders for a vote. Should Mr. Veitia, who would continue to own approximately 15.2% of the post conversion outstanding shares, vote in agreement with the Investors, a majority of the vote on any issue would be certain.

No Dissenters' Rights

Under Delaware law, shareholders are not entitled to dissenters' rights of

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appraisal with respect to this proposal.

Vote Required

Under the Nasdaq Rules, the minimum vote which will constitute shareholder approval of Proposal No.1 for purposes of the Change of Control Rule and 20% Rule is a majority of the total votes present in person or represented by proxy at the special meeting, upon the establishment of a quorum. The Company's executive officers and members of the Board of Directors have indicated their non-binding intention to vote shares of common stock for which they have voting power FOR the proposal

Recommendation Of The Board of Directors

The Board of Directors comprised of the six directors elected at the 2002 Annual Meeting has considered this transaction and unanimously approved it upon the belief that it is in the best interests of the shareholders. After the resignation of three members of the Board and their replacements by Messers O'Connor, Brand and Radziwill, the new board (with the Three Investors abstaining because they are "interested" in this regard), again recommended approval of Item No. 3 by the stockholders.

YOUR DIRECTORS RECOMMEND THAT STOCKHOLDERS VOTE TO APPROVE THE CONVERSION OF THE SERIES A PREFERRED SHARES INTO COMMON SHARES.

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ITEM 4. TO CONSIDER, APPROVE AND ADOPT AN AMENDMENT TO THE COMPANY'S CERTIFICATE OF INCORPORATION TO REQUIRE AT LEAST A 75% VOTE OF THE STOCKHOLDERS TO REMOVE OR CHANGE THE CHAIRMAN OF THE BOARD.

The Share Subscription Agreements contain a provision in Section 8 to require the Company to seek shareholder approval to amend the Company's Certificate of Incorporation to require at least a 75% vote of the stockholders to remove or change the Chairman of the Board. The current Chairman of the Board of the Company is Diego J. Veitia, who has served as Chairman since the Company's formation in 1987.

The Share Subscription Agreements provide for changes to the requirements for removal or change to the Chairman of the Board in both the Bylaws and Certificate of Incorporation of the Company. Pursuant to the requirements of Section 6 of the Share Subscription Agreements, the Board of Directors of the Company approved an amendment to the Bylaws of the Company on October 16, 2002 whereby the vote of the greater of at least (A) five directors or (B) seventy-five percent (75%) of the directors is required to remove or change the Chairman of the Board. Prior to this amendment, the Bylaws required only the affirmative vote of a majority of the directors to remove or change the Chairman.

The amendment is offered with the intent to require a supermajority vote of the outstanding shares, in addition to a supermajority of the directors, to remove or change the Chairman of the Board. The Board of Directors believes it is desirable that Mr. Veitia's experience and expertise, together with his unique knowledge of the history of the Company, remain available to the Company and its stockholders. If the proposed amendment is adopted by the stockholders, a supermajority vote of both the directors and the stockholders will be required to remove or change the Chairman.

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Proposed Amendment to Certificate of Incorporation

If the amendment is approved, a new Article 12 will be added to the Company's Certificate of Incorporation to read in its entirety as follows:

12. A vote of no less than seventy-five percent of the outstanding shares shall be required to remove or change the Chairman of the Board of the Corporation.

Certain Effects of Proposed Amendment

At the present time, the Company is not aware of any pending or threatened efforts by any party to change the Chairman of the Company, and the amendment is not being proposed in response to any such efforts. However, the requirement for a supermajority vote of the outstanding shares to remove or change the Chairman of the Board would impede the Board of Directors in any future attempt to make such a change.

Approval of the amendment may adversely impact stockholders who desire a change in management and/or the Chairman of the Board of Directors or to participate in a change in control of the Company by requiring a vote of seventy-five percent (75%) of the outstanding shares before the Chairman may be removed or changed. While it may be deemed to negatively effect any future effort to change or remove the Chairman, the proposed amendment is not prompted by any specific effort or threat perceived by the Company's Board of Directors.

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As described in Section 9 (a) of the Share Subscription Agreements, should the shareholders of the Company not approve this amendment at the annual meeting, the Investors, at their option, have the right to redeem the preferred shares at the original cost of \$1.70 per share beginning 15 days after the meeting and extending to a date that is six months after closing (June 6, 2003). The Company also has the right to repurchase the shares at its option at a cost of \$1.70 per share beginning 15 days after the meeting and extending to a date that is six months after closing (June 6, 2003).

In the event any of the Investors exercises his redemption right or the Company exercises its repurchase right pursuant to the failure of the stockholders to approve the amendment to the Certificate of Incorporation to require a seventy-five (75%) vote of the outstanding shares to remove or change the Chairman of the Board, the Subscription Agreement between the Company and John Radziwill provides that Company will pay Mr. Radziwill a fee equal to 6% per annum of his purchase price for the period of time from closing which was December 6, 2002, until the date of exercise. This provision does not extend to either Mr. O'Connor or Mr. Branch.

Effective Date of Proposed Amendment

The proposed amendment to the Certificate of Incorporation of the Company, if adopted by the required vote of the stockholders, will become effective on the date on which the Articles of Amendment to the Company's Certificate of Incorporation are filed with the Secretary of State of the State of Delaware.

Vote Required and Board Recommendation

The affirmative vote of holders of a majority of the outstanding shares of common stock entitled to vote at the Annual Meeting is required

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to approve the proposed amendment. If the amendment is not approved by the stockholders, the Company's Certificate of Incorporation, which currently has no specific requirements for the removal or change of the Chairman of the Board will continue in effect.

Although the three investors party to the Share Subscription Agreements cannot vote at the Annual Meeting, they have expressed their support of this Amendment and join the Board of Directors in its recommendation for approval.

YOUR DIRECTORS RECOMMEND THAT STOCKHOLDERS VOTE FOR THE AMENDMENT TO THE INTERNATIONAL ASSETS HOLDING CORPORATION CERTIFICATE OF INCORPORATION TO REQUIRE AT LEAST A 75% VOTE OF THE STOCKHOLDERS TO REMOVE OR CHANGE THE CHAIRMAN OF THE BOARD.

ITEM 5 - TO CONSIDER, APPROVE AND ADOPT THE INTERNATIONAL ASSETS HOLDING CORPORATION 2003 STOCK OPTION PLAN

General

The Share Subscription Agreements also contain a provision in Section 8 to require the Company to adopt a new stock option plan and submit such plan to the Company's stockholders for approval and adoption. The Company's existing stock option plan terminates on January 13, 2003 and in order to fulfill the terms of the Share Subscription Agreements and its employment contracts with Sean O'Connor and Scott Branch, which are included as

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Exhibits VIII and IX to this Proxy Statement, the Company is required to adopt a new plan and submit it to the stockholders for approval. The new plan which is to be known as The International Assets Holding Corporation 2003 Stock Option Plan, and which is attached to this Proxy Statement as Exhibit X, ("The Plan") was adopted by the Board by unanimous consent on December 19, 2002.

As described in Section 9 (a) of the Share Subscription Agreements, should the shareholders of the Company not approve this Plan at the annual meeting, the Investors at their option have the right to redeem the preferred shares at the original cost of \$1.70 per share beginning 15 days after the meeting and extending to a date that is six months after closing (June 6, 2003). The Company has the right to repurchase the shares at its option at a cost of \$1.70 per share beginning 15 days after the meeting and extending to a date that is six months after closing (June 6, 2003).

In the event either the Investor exercises his redemption right or the Company exercises its repurchase right, the Company will pay John Radziwill a fee of 6% per annum of his purchase price for the period of time from closing which was December 6, 2002, until the date of exercise. This provision does not extend to either Mr. O'Connor or Mr. Branch.

Plan Description

The following summary describes briefly the principal features of the Plan. This summary does not purport to be complete and is subject to and qualified in its entirety by the provisions of the Plan.

Purpose

The purpose of the Plan is to advance the growth and development of

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the Company by affording an opportunity to executives, consultants and key employees of the Company as well as directors of the Company and its affiliates to purchase shares of the Company's common stock and to provide incentives for them to put forth maximum efforts for the success of the Company's business.

Eligibility

The Plan provides that award may be granted to directors, consultants, officers and executive, managerial and other key employees of the Corporation or any parent or subsidiary of the Corporation. Non-employee directors or consultants of the Corporation are eligible to receive award only of Nonqualified Options (as defined below). Approximately 15 employees of the Corporation and its subsidiaries are eligible to participate in the Plan.

Stock Subject to the Plan

The total number of shares of stock which may be issued by the Corporation to all optionees under the Plan is 750,000 shares upon shareholder approval of the Plan. If and to the extent an option granted under the Plan expires or terminates for any reason whatsoever, in whole or in part, the shares (or remaining shares) of stock subject to that particular option shall again be available for grant under the Plan.

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Administration

The Plan is to be administered by the Board of Directors of the Corporation (the "Board"); provided, however, that the Board may from time to time appoint a Compensation Committee consisting of not less than two directors and delegate to such Committee full power and authority to take any action required or permitted to be taken by the Board under the Plan. The Board may issue incentive stock options ("Incentive Options") within the meaning as defined in Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), or options that do not qualify as Incentive Options ("Nonqualified Options"). In addition, the Board shall have the discretion to determine the employees, directors and consultants to whom options are to be granted and the number of shares subject to the options.

General Conditions

The Plan sets forth certain general conditions relating to the options that may be granted thereunder: (a) the maximum term of any Incentive Option shall be 10 years; (b) an option shall be exercisable only as long as optionee is in "continuous employment" with the Corporation as such term is defined in the Plan or is continually on the Board of Directors of the Corporation, or any parent subsidiary or successor thereof except as expressly permitted by the Plan; and (c) an option granted under the Plan shall not be assignable or transferable other than by will or the laws of descent and distribution.

Stock Options

The option price of stock options granted under the Plan shall not be less than 100% of the fair market value of the stock on the date the option is granted. The option price of stock options granted under the Plan to any individual who possesses more than 10% of the combined voting power of all classes of common stock of the Corporation shall not be less than 110% of the

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fair market value of the stock on the date the option is granted.

Options shall become exercisable as provided by the Board in the Option Agreement. An option shall terminate upon the occurrence of the following conditions: (a) the expiration of one year after termination of employment by death or disability; (b) immediately upon termination for cause; (c) the expiration of 90 days after termination of employment for a reason other than death, disability or cause; or (d) the expiration of 90 days after the removal or resignation of the optionee from the Board.

The Plan contains certain additional conditions applicable to options designated as Incentive Options. Incentive Options may be granted only to employees. No employee may be granted Incentive Options exercisable for the first time in any calendar year in which Incentive Options have an aggregate fair market value of stock (determined for each Incentive Option at its date of grant) in excess of \$100,000. An Incentive Option granted to an employee who owns stock possessing more than 10% of the total combined voting power of all classes of stock of the corporation shall have a per-share exercise price of not less than 110% of the fair market value of the stock on the date the option is granted.

Payment of the exercise price may be made in cash, by certified bank check, in shares of the Corporation's common stock or any combination of the foregoing. At the discretion of the Board, the Corporation may also accept a promissory note, secured or unsecured, in the amount of the option price.

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Plan Termination and Amendment

Under its terms, the Plan will terminate ten years following approval by the stockholders. Furthermore, the Plan may be amended or terminated at any time by the Board. Any termination shall not affect any award then outstanding. Amendments to the Plan may be made without shareholder approval, except as such shareholder approval may be required by law or the rules of a national securities exchange, or if the amendment would increase the number of shares that may be issued under the Plan, or modify the requirements as to eligibility for participation in the Plan.

Federal Tax Treatment of Options

If an option is granted to an employee in accordance with the terms of the Plan, no income will be recognized by such employee at the time the option is granted.

Generally, on exercise of a Nonqualified Option, the amount by which the fair market value of the shares of the stock on the date of exercise exceeds the purchase price of such shares will be taxable to the optionee as ordinary income, and will be deductible for tax purposes by the Corporation in the year in which the optionee recognizes the ordinary income. The disposition of shares acquired upon exercise of a Nonqualified Option under the Plan will ordinarily result in long-term or short-term capital gain or loss (depending on the applicable holding period) in an amount equal to the difference between the amount realized on such disposition and the sum of the purchase price and the amount of ordinary income recognized in connection with the exercise of the Nonqualified Option.

Section 16(b) of the Exchange Act generally subjects executive officers, directors and 10% shareholders of the Corporation to potential liability if they both buy and sell shares of the Corporation's stock within

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a six-month period. In the case of employees who are subject to these rules, generally, unless the employee elects otherwise, the relevant date for measuring the amount of ordinary income to be recognized upon the exercise of a Nonqualified Option will be the later of (i) the date the six-month period following the date of grant lapses and (ii) the date of exercise of the Nonqualified Option.

Generally, upon exercise of an Incentive Option, an employee will not recognize any income and the Corporation will not be entitled to a deduction for tax purposes. However, the difference between the purchase price and the fair market value of the shares of stock received on the date of exercise will be treated as a positive adjustment in determining alternative minimum taxable income, which may subject the employee to the alternative minimum tax. The disposition of shares acquired upon exercise of an Incentive Option under the Plan will ordinarily result in long-term or short-term capital gain or loss (depending on the applicable holding period). Generally, however, if the employee disposes of shares of stock acquired upon exercise of an Incentive Option within two years after the date of grant or within one year after the date of exercise (a "disqualifying disposition"), the employee will recognize ordinary income, and the Corporation will be entitled to a deduction for tax purposes, in the amount of the excess of the fair market value of the shares on the date of exercise over the purchase price (or, in certain circumstances, the gain on sale, if less). Any excess of the amount realized by the holder on the disqualifying disposition over the fair market value of the shares on the date of exercise of the Incentive Option will ordinarily constitute capital gain. In the case of an employee subject to the Section 16(b) restrictions discussed above, the relevant date in measuring the employee's ordinary income and the Corporation's tax deduction in connection with any such disqualifying disposition will normally be the later of (i) the date the six-month period after the date of grant lapses or (ii) the date of exercise of the Incentive Option.

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If an option is exercised through the use of stock previously owned by the employee, such exercise generally will not be considered a taxable disposition of the previously owned shares and, thus, no gain or loss will be recognized with respect to such shares upon such exercise. However, if the previously owned shares were acquired through the exercise of an Incentive Option or other tax-qualified stock option and the holding period requirement for those shares was not satisfied at the time they were used to exercise an Incentive Option, such use would constitute a disqualifying disposition of such previously owned shares resulting in the recognition of ordinary income (but, under proposed Treasury Regulations, not any additional capital gain) in the amount described above. If any otherwise qualifying Incentive Option becomes first exercisable in any one year for shares having a value in excess of \$100,000 (grant date value), the portion of the option in respect of such excess shares will be treated as a Nonqualified Option.

The chart below shows those officers of the Company who are known to be employees and/or directors who will receive a grant of options upon approval of the new option plan.

New Plan Benefits The International Assets Holding Corporation 2003 Stock Option Plan

Name and Position	Dollar Value\$	Number of Units
Sean O'Connor, CEO	331,250 (1)	132,500

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Scott Branch, President	331,250 (1)	132,500
Edward Cofrancesco, COO	Undeterminable(2)	90,000

(1) The strike price of the options for Mr. O'Connor and Mr. Branch are specified within the Employment Agreements as \$2.50.

(2) The options are due to Mr. Cofrancesco under the terms of his current employment contract. As no exercise price is specified within the contract, the exercise price will be determined upon date of grant and the value is, therefore, undeterminable at this time.

Vote Required and Board Recommendation

The affirmative vote of holders of a majority of the shares of common stock entitled to vote at the Annual Meeting is required to approve the proposed amendment.

YOUR DIRECTORS RECOMMEND THAT STOCKHOLDERS VOTE FOR THE APPROVAL AND ADOPTION OF THE INTERNATIONAL ASSETS HOLDING CORPORATION 2003 STOCK OPTION PLAN

ITEM 6. ANY OTHER BUSINESS

The Board of Directors does not know of any other business which will be presented for consideration at the Annual Meeting. If any other business does properly come before the Annual Meeting or any adjournment thereof, the proxy holders will vote in regard thereto according to the discretion of management insofar as such proxies are not limited to the contrary.

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EXECUTIVE COMPENSATION

Summary Compensation Table

The following table is a three-year summary of the compensation awarded or paid to, earned by, the Company's Chief Executive Officer and its most highly compensated executive officers whose total cash compensation exceeded \$100,000 during the Company's last completed fiscal year.

Name and Principal Position	Year	Annual Compensation			Long Term Compensation		
		Salary	Bonus	Other-Annual Compensation	Awards	Securities Underlying Options/ SARs (#) (1)	LTIP Payo
-----	----	\$	\$	\$	\$	-----	\$
Diego J. Veitia, Director, Chairman of the Board and Chief Executive	2002	\$115,985	\$ 35,000	\$15,841	\$ -	25,000	\$
	2001	\$148,349	\$ -	\$19,845	\$ -	25,000	\$
	2000	\$147,092	\$ 201,690	\$ -	\$ -	-	\$

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Officer (2) (3) (4)

Edward R.	2002	\$150,000	\$ 55,000	\$ -	\$ -	20,000	\$
Cofrancesco	2001	\$115,962	\$ 110,000	\$ -	\$ -	20,000	\$
Director, Executive Vice President and Chief Operating Officer (5) (6)							
Jonathan C. Hinz,	2002	\$ 97,136	\$ 30,000	\$ -	\$ -	20,000	\$
Chief Financial	2001	\$ 88,544	\$ 18,000	\$ -	\$ -	20,000	\$
Officer and	2000	\$ 87,658	\$ 20,000	\$ -	\$ -	7,200	\$
Treasurer							

(1) Option shares presented for year 2000 have been restated for the 10% stock dividend declared by the Corporation on February 25, 2000 for shareholders of record as of March 10, 2000.

(2) Mr. Veitia received \$15,841, or approximately 10.5% of 2002 total salary and bonus in other annual compensation consisting of \$9,845 paid for tax preparation fees, \$3,567 related to auto lease reimbursement and \$2,429 related to memberships. Mr. Veitia received \$19,845, or approximately 13% of 2001 total salary and bonus in other annual compensation consisting of \$9,095 paid for tax preparation fees and \$10,750 related to auto lease reimbursement.

(3) All other compensation for Mr. Veitia for year 2000 is comprised of Company contributions to the Company's 401(k) Profit Sharing Plan (formerly known as the Employee Stock Ownership Plan), Retirement Savings Plan, automobile related benefits paid directly by the Company and payments for personal income tax preparation fees.

(4) Salary for 2002 does not include a \$33,502 voluntary 25% salary waiver related to the months of October 2001 through August 2002. Salary for 2001 does not include a \$3,156 voluntary 25% salary waiver related to the month of September 2001.

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(5) Mr. Cofrancesco joined the Company on December 22, 2000. Salary stated above for 2001 includes base salary earned during the portion of the fiscal year from December 22, 2000 through September 2001.

(6) All other compensation for Mr. Cofrancesco for year 2002 and 2001 is comprised of payments and reimbursements related to relocation and an automobile allowance.

Stock Options and Stock Appreciation Rights (SAR)

The International Assets Holding Corporation Stock Option Plan (the "Existing Plan") was adopted by the Board of Directors of the Corporation in January, 1993 and approved by the stockholders in November, 1993. On February 15, 1996 the shareholders approved an amendment to the Existing Plan to increase the number of shares available for issuance under the Existing Plan from 250,000 to 500,000 shares effective December 28, 1995. On February 16, 1999 the shareholders approved an amendment to the Existing Plan to increase the number of shares available for issuance under the Existing Plan from 500,000 to 700,000 shares.

In accordance with the terms of the Company's stock option Existing Plan the Company's Board of Directors has authorized a 10% share and price

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adjustment for outstanding stock options issued prior to March 5, 1999. This adjustment is related to the Company's 10% stock dividend declared on February 12, 1999 and paid on March 26, 1999. Previously issued option shares have been proportionately increased by 10% and the corresponding option exercise price per share has also been reduced by 10%. In conjunction with the stock dividend for record date March 5, 1999 the total options authorized under this Existing Plan were proportionally increased from 700,000 options to 770,000 options as a result of this stock dividend.

In addition, the Company's Board of Directors has authorized a 9% share and price adjustment for outstanding stock options issued prior to March 10, 2000. This adjustment is related to the Company's 10% stock dividend declared on February 25, 2000 and paid on March 24, 2000. Previously issued option shares have been proportionately increased by 9% and the corresponding option exercise price per share has also been reduced by 9%. In conjunction with the stock dividend for record date March 10, 2000 the total options authorized under this Existing Plan were proportionally increased from 770,000 options to 839,300 options as a result of this stock dividend. On February 15, 2001 the shareholders approved an amendment to the Existing Plan to increase the number of shares available for issuance under the Existing Plan from 839,300 to 1,339,300 shares

The Existing Plan permits the granting of awards to employees of the Company and its subsidiaries in the form of stock options of the Company's common stock. Stock options granted under the Existing Plan may be "incentive stock options" meeting the requirements of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), or non-qualified options which do not meet the requirements of Section 422.

The Existing Plan is administered by the Board of Directors or a committee thereof. The Existing Plan gives broad powers to the Board of Directors to administer and interpret the Existing Plan, including the authority to select the individuals to be granted options and rights and to prescribe the particular form and conditions of each option or right granted. All options are granted at an exercise price equal to the fair market value or 110 percent of the fair market value of the Company's common stock on the date of the grant. Awards may be granted pursuant to the Existing Plan through January, 2003. The Existing Plan may be terminated earlier by the Board of Directors at its sole discretion.

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No Stock Appreciation Rights (SAR) have been granted by the Company.

Option/SAR Grants in Last Fiscal Year

The following table reports total options granted to named executive officers during the 2002 fiscal year. Individual grants are as follows.

Executive Officer -----		Number of Securities Underlying Options/SAR's Granted (#/Shares) -----	% of Total Options/SAR's Granted to Employees in Fiscal Year -----	Exercise or Base Price (\$/Share) -----
Diego J. Veitia	(1)	25,000	19.08%	0.99

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Edward R. Cofrancesco (2)	20,000	15.27%	0.60
Jonathan C. Hinz (1)	20,000	15.27%	0.90

(1) Option granted on 10/5/2001 and exercisable at 33.3% after year one, 33.3% after year two and 33.4% after year three.

(2) Option granted on 12/22/2001 and exercisable at 33.3% after year one, 33.3% after year two and 33.4% after year three.

Aggregated Options/SAR Exercises in Last Fiscal Year and Fiscal Year-End Option/SAR Values

The following table sets forth for each of the Named Executive Officers certain information concerning options exercised during the fiscal year ended September 30, 2002 and the number of shares subject to both exercisable and unexercisable stock options as of that date. The table also shows values for "in-the-money" options. These values represent the positive spread between the respective exercise prices of outstanding options and the fair market value of the Company's common stock as of September 30, 2002.

Executive Officer	Shares Acquired On Exercise (#)	Value Realized (\$)	(1)	Number of Securities Underlying Unexercised Options /SARs at September 30, 2002 Exercisable/Unexercisable (#) (2)	Value of In-the-Money At Septem Exercisable (
Diego J. Veitia	-	\$	-	118,633 / 41,675	\$ -
Edward R. Cofrancesco	-	\$	-	6,660 / 33,340	\$ -
Jonathan C. Hinz	-	\$	-	10,957 / 43,437	\$ -

(1) Based on the fair market value of the Company's common stock on the exercise date (the closing price) minus the exercise price and multiplied by the number of shares acquired.

(2) Includes both "in-the-money" and "out-of-the-money" options. "In the-money" options are options with exercise prices below the market price of the Company's common stock on September 30, 2002.

(3) Based on the closing price of the Company's common stock on September 30, 2002 (\$0.61) minus the exercise price.

Long-Term Incentive Plans-Awards in Last Fiscal Year

None.

Employment Contracts and Termination of Employment and Change-in-Control Arrangements

The Company had entered into an employment agreement with Diego J. Veitia, its then chief executive officer, that would have expired March 24, 2003. As described below, the arrangement has been modified effective September 1, 2002. Under the terms of the original agreement, the officer would have received

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specified annual compensation, a bonus, a monthly automobile allowance and reimbursement for personal income tax preparation fees. The bonus was to be calculated by applying the consolidated return-on-equity percentage for that year to the consolidated pre-tax earnings adjusted before the deduction for officer bonus expense and as adjusted for certain financial transactions. The executive bonus percentage is subject to a minimum of 5% and a maximum of 15% of adjusted consolidated pre-tax earnings of the Company. The Company may award additional bonuses to the executive from time to time as determined by the Board of Directors. In the event of termination of the agreements by the Company other than for cause, as defined, or if the executive resigns as a result of a breach by the Company, the agreement provides for payments to such individual in an amount equal to 100% of his total compensation for 24 months following the date of termination.

The Board of Directors of the Company has modified the compensation payable directly to Mr. Veitia under the employment agreement and has modified the services to be provided under that agreement. The Company also agreed to enter into a consulting agreement with Veitia and Associates ("V&A") for the additional services required from the Executive Chairman (formerly chief executive officer until October 22, 2002). V&A is a company solely owned by Diego J. Veitia, the Executive Chairman of the Company. The agreement has an original term from September 1, 2002 through September 30, 2003. Under the terms of the agreements, the Executive Chairman will receive specified comprehensive annual compensation, certain general employee benefits (such as medical insurance), a monthly automobile allowance, three monthly club memberships and reimbursement for personal income tax preparation fees. V&A will assume certain other business expenses incurred by the executive that previously had been reimbursed by the Company. The Company may award bonuses to the executive from time to time as determined by the Board of Directors. In the event of termination of the agreements by the Company other than for cause, as defined, or if the executive resigns as a result of a breach by the Company, the agreement provides for payments to such individual in an amount equal to 100% of his total compensation for 24 months following the date of termination.

The Company also entered into an employment agreement with Edward R. Cofrancesco, its chief operating officer which expires on December 31, 2002. Under the terms of the agreement, the officer will receive specified annual compensation, a bonus and a monthly automobile allowance. The bonus is determined by the Board of Directors. In the event of termination of the agreements by the Company other than for cause, as defined, or if the executive resigns as a result of a breach by the Company, the agreement provides for payments to such individual in an amount equal to 100% of his total compensation for the remaining term of the agreement or 6 months if longer, following the date of termination.

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On October 22, 2002, the existing employment agreements for the Company's Executive Chairman and Chief Operating Officer, and the consulting agreement with V&A which was originally effective September 1, 2002, were each modified and extended for a three-year term commencing on October 22, 2002. The extension of the term of the agreements and provisions to limit the arbitrary removal of the Executive Chairman are intended to provide a continuity of executive direction for the Company after shareholders approve the matters being presented at the next meeting of the shareholders. In the event of termination of the compensation or consulting agreements by the Company other than for cause, as defined, or if the executive resigns as a result of a breach by the Company, the agreement provides for payment to such individual and to V&A in an amount equal to 100% of the total compensation payable under the agreements for the remaining term of the agreements or 6 months if longer, following the date of termination.

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Also, On October 22, 2002 the Company executed three year employment agreements with both Sean O' Connor, as Chief Executive Officer and Scott Branch as President. In the event of termination of the employment agreements by the Company other than for cause, as defined, or if the executive resigns as a result of a breach by the Company, each agreement provides for payment to such individual an amount equal to 100% of the total compensation payable under the agreement for the remaining term of the agreement or 6 months if longer, following the date of termination.

As of September 30, 2002 the Company had 162,500 options granted for common stock subject to terms where the options become immediately fully vested and non-forfeitable if a change in control in the Company occurs. In addition, on December 6, 2002 the Board of Directors of the Company granted an additional 305,000 options subject to these same provisions.

Employee Investment/Retirement Plans

Effective May 1, 1999, the Company implemented a defined contribution 401(k) Profit Sharing Plan (401(k) Plan). The 401(k) Plan amended and restated the Company's employee stock ownership plan (ESOP), which was effective December 30, 1992. This plan retained the 401(k) profit sharing features of the December 30, 1992 plan, and effective May 1, 1999, deleted the employee stock ownership plan provisions. Those participants who had account balances in the ESOP portion of the plan, as of May 1, 1999 retained certain ESOP rights, such as the right to receive distributions in the form of employer common stock. Also, the Company implemented a defined contribution Retirement Savings Plan (RSP) effective January 1, 1995.

On November 1, 2001, International Assets Advisory Corp. (a former 100% owned subsidiary) terminated the International Assets Advisory Corporation 401K Profit Sharing Plan (401K) and the International Assets Advisory Corporation Retirement Savings Plan (RSP). All participants under the 401K and RSP vested 100% in their respective account balances and the employer sponsor and its related employees made no further contributions to the plans. Also, on November 1, 2001, International Assets Holding Corporation became the primary sponsoring employer of both plans. The plans became known as the International Assets Holding Corporation 401K Profit Sharing Plan and the International Assets Holding Corporation Retirement Savings Plan. International Assets Holding Corporation will effectuate the necessary actions to terminate the plans.

The Company did not make any contributions to either the 401K and RSP benefit plans for the years ended September 30, 2002 and 2001. During the years ended September 30, 2002

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and 2001, no common shares of the Company were purchased from terminated 401(K) or RSP plan participants.

As of September 30, 2002 and 2001, 146,982 and 158,928 common shares of the Company were allocated to the 401(K) plan participants, respectively. As of September 30, 2002 and 2001, 58,005 and 69,694 common shares of the Company were allocated to RSP participants, respectively.

The Company has received written notification from the IRS dated Sep 17, 2002, which acknowledges that the termination of the two plans does not adversely affect the plans qualification for Federal tax purposes. The Company has begun the liquidation and distribution process for both plans. This distribution process is expected to be completed by December 31, 2002.

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SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information concerning the beneficial ownership of the Company's Common Stock and Series A Preferred Stock as of December 23, 2002, by (i) each person known by the Company to own more than 5% of the Common Stock, (ii) each director of the Company, (iii) each of the most highly compensated executive officers whose total cash compensation exceeded \$100,000 during the Company's last completed fiscal year and (iv) all executive officers and directors of the Company as a group. All shares are directly owned by the individual unless otherwise indicated.

Title of Class -----	Name and Address of Beneficial Owner -----	Number of Shares (1) (2) -----	Percent of Class -----
Common	The Diego J. Veitia Family Trust (3)	538,006	22.65%
Common	Stephen A. Saker (3) (4)	140,948	5.08%
Common	Diego J. Veitia (3) (5) (6) (7)	711,323	28.42%
Common	Robert A. Miller (3) (8)	43,845	1.83%
Common	Edward R. Cofrancesco (3) (9)	19,980	0.83%
Common	Jonathan C. Hinz (3) (10)	21,516	0.90%
Common	All directors and executive officers as a group (11) (Four persons)	796,664	31.00%
Preferred	Sean M. O'Connor (3) (12)	882,353	40.34%
Preferred	Scott J. Branch (3) (13)	735,294	33.61%
Preferred	John Radziwill (3) (14)	569,853	26.05%

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(1) Except as otherwise stated, all stockholders have sole voting and investment power with respect to the shares of Common Stock set forth opposite their respective names.

(2) Includes common shares that can be acquired within 60 days from the date hereof upon the exercise of warrants or options or conversion of convertible securities. Shares subject to issuance upon the exercise of options or warrants or other rights to acquire shares are deemed outstanding for purposes of computing the percentage owned by each person but are not deemed to be outstanding for the purpose of computing the outstanding percentage of any other persons.

(3) 220 Central Parkway, Suite 2060, Altamonte Springs, Florida 32701.

(4) Includes 56,074 shares subject to five exercisable options from the Company.

(5) Includes 538,006 shares held by The Diego J. Veitia Family Trust (the "Trust"). Mr. Veitia is Chairman of the Board of the Company and the settlor, sole trustee and primary beneficiary of the Trust and, as such, may be deemed the beneficial owner of the shares held by the Trust under rules and regulations promulgated by the SEC.

(6) Includes 126,958 shares subject to four exercisable options from the Company.

(7) Does not include 58,025 shares held by The Diego J. Veitia Foundation.

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- (8) Includes 26,677 shares subject to four exercisable options from the Company.
- (9) Includes 19,980 shares subject to two exercisable options from the Company.
- (10) Includes 20,506 shares subject to five exercisable options from the Company.
- (11) Includes 194,121 shares subject to fifteen exercisable options in the favor of Messrs. D. Veitia, Miller, Cofrancesco and Hinz from the Company.
- (12) Includes 750,000 Series A Preferred shares owned by The St. James Trust. Mr. O'Connor is an investment advisor and one of the beneficiaries of The St. James Trust.
- (13) Includes 367,647 Series A Preferred shares owned by Mr. Branch's spouse.
- (14) Includes 569,853 Series A Preferred shares owned by Goldcrown Asset Management Limited. Mr. Radziwill owns approximately 24% of Goldcrown Asset Management Limited.

Compliance with Section 16(a) of the Exchange Act

Pursuant to Section 16(a) of the Exchange Act and the rules issued thereunder, the Company's executive officers, directors and owners of in excess of 10% of the issued and outstanding common stock are required to file with the SEC reports of ownership and changes in ownership of the common stock of the Company. Copies of such reports are required to be furnished to the Company.

Based solely on the review of such reports, the Company is aware of five directors and two executive officer that had late filings under Section 16(a) during fiscal year 2002.

Jerome F. Miceli, a director of the Company, did not report in a timely manner under Section 16(a) a stock option awarded on October 5, 2001 for 15,000 shares of common stock, with a strike price of \$0.90 per share. Mr. Miceli subsequently reported this transaction on a Form 5 filed on January 9, 2002. Diego J. Veitia, a director of the Company, did not report in a timely manner under Section 16(a) a stock option awarded on October 5, 2001 for 25,000 shares of common stock, with a strike price of \$0.99 per share. Mr. Veitia subsequently reported this transaction on a Form 5 filed on August 28, 2002. Steven A. Saker, a former director of the Company, did not report in a timely manner under Section 16(a) a stock option awarded on October 5, 2001 for 20,000 shares of common stock, with a strike price of \$0.90 per share. Mr. Saker subsequently reported this transaction on a Form 5 filed on August 28, 2002. Jeffrey Rush, a former director of the Company, did not report in a timely manner

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under Section 16(a) a stock option awarded on October 5, 2001 for 15,000 shares of common stock, with a strike price of \$0.90 per share. Mr. Rush subsequently reported this transaction on a Form 5 filed on December 17, 2002. Robert A. Miller, a director of the Company, did not report in a timely manner under Section 16(a) a stock option awarded on October 5, 2001 for 15,000 shares of common stock, with a strike price of \$0.90 per share. Mr. Miller subsequently reported this transaction on a Form 5 filed on December 17, 2002. Jonathan C. Hinz, an executive officer of the Company, did not report in a timely manner under Section 16(a) a stock option awarded on October 5, 2001 for 20,000 shares of common stock, with a strike price of \$0.90 per share. Mr. Hinz subsequently reported this transaction on a Form 5 filed on August 28, 2002. Tresa N. Veitia-Williamson, a former executive officer of the Company, did not report in a timely manner under Section 16(a) a stock option awarded on January 3, 2002, 2001 for 9,000 shares of common stock, with a strike price of \$0.65 per share. Ms. Veitia-Williamson subsequently reported this transaction on a Form 5 filed on August 28, 2002.

The Company believes that during fiscal year 2002, all other executive officers

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and directors complied with the Section 16(a) requirements.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

On June 5, 2001, the Company purchased, by issuance of 57,625 common shares of the Company, a \$150,000 promissory note, due by the then President of the Company to his former employer. The promissory note included \$13,657 of accrued interest at 5.75% per annum. On July 11, 2001 the Company executed an unconditional and irrevocable agreement to forgive the \$150,000 promissory note held by the Company with accrued interest, due from the former President of the Company, with forgiveness effective June 11, 2002. The forgiveness of the note was reflected as compensation and benefits expense in the third quarter of fiscal 2001.

On January 4, 2000 the Company, after approval by the Board of Directors, made a loan to the CEO of the Company including the execution and receipt of a \$250,000 promissory note due January 3, 2001. The Board of Directors of the Company granted an extension of the due date of the promissory note to December 31, 2001. At the Board of Directors meeting held on February 15, 2002 the CEO requested an extension to repay the balance by mid calendar year 2002, which request was consented to by the Board of Directors. The promissory note includes interest of 6 percent per annum. On August 7, 2002 the CEO repaid the entire loan balance including the then principal and accrued interest balance of \$42,724.

On August 28, 2000 the Company made a loan to a Vice President of the Company including the execution and receipt of a \$66,000 promissory note due August 27, 2001. The Board of Directors of the Company granted an extension of the due date of the promissory note to August 31, 2002. The promissory note includes interest of 6.27 percent per annum. On August 30, 2001 the Vice President made a \$47,000 loan payment to the Company. As of September 30, 2002 the remaining principal balance of the promissory note including accrued interest is \$21,468. The Vice President has notified the Company that he intends to make payments of approximately \$900 per month from October 1, 2002 through March 31, 2003. In addition, the Vice President intends to make a balloon payment on March 31, 2003 for the then remaining loan balance.

The Company has engaged, on a task-by-task basis, a creative design firm that is partially owned by a spouse of an officer of the Company. The Company incurred promotional expense related to this creative design firm totaling approximately \$0 and \$34,023 during the years ended September 30, 2002 and 2001, respectively.

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On February 1, 2002 the Company executed a six-month contract for investor relations services from an outside firm that is owned and managed by a cousin of the Chairman of the Company. The contract was for \$5,000 per month plus reimbursement for reasonable expenses related to the performance of the service contract. This services contract ceased on July 31, 2002 after the six-month term expired.

On August 9, 2002, the Board of Directors of the Company agreed to execute a list broker agreement between Veitia & Associates (V&A) and the Company regarding the management and leasing of the Company's list rental access, for the period October 1, 2002 to December 13, 2004. V&A will pay the Company 10% of any proceeds generated from this agreement. V&A is a company solely owned and controlled by the Chairman of the Company.

Also on August 9, 2002, the Board of Directors of the Company decided to

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cease the Company's ongoing efforts for the creation of a Company proprietary hedge fund. The original cost of the legal work expended in pursuit to develop a hedge fund for the Company, up to August 9, 2002, was approximately \$15,000. The Board of Directors has agreed to allow V&A access to a copy of the hedge fund legal work generated up to August 9, 2002. V&A has indicated the intent to develop a hedge fund. In addition, the Board of Directors agreed that certain services, such as accounting support and operational support, be provided to the V&A hedge fund under a soft dollar arrangement in exchange for certain security order flow from V&A and/or its hedge fund. The Board of Directors gave its assent to this arrangement subject to resolving the details and subject also to the provision that the arrangement not affect in any adverse way the operations of the Company.

The Company has paid to V&A, a travel lodging per diem for reimbursement to the Chairman for corporate related travel to New York City. The Chairman personally maintains a part-time residence in New York City. This per diem offsets the Company cost that would have been incurred for hotel expense. The total cost paid to V&A was \$4,000 and \$5,000 for the years ended September 30, 2002 and 2001, respectively.

In November 2002 the Company made a \$20,000 contribution to The Diego J. Veitia Foundation. This foundation is a not-for-profit foundation established by Mr. Veitia, Executive Chairman for the sole purpose of making charitable contributions, mostly in the form of education scholarships.

The Company believes that all prior transactions between the Company and its officers, directors or other affiliates of the Company were on terms no less favorable than could have been obtained from unaffiliated third parties on an arm's-length basis. However, as the requisite conditions of competitive, free-market dealings may not exist, the foregoing transactions cannot be presumed to have been carried out on an arm's-length basis, nor upon terms no less favorable than had unaffiliated parties been involved.

OTHER MATTERS

Stockholder Proposals

Any stockholder desiring to present a proposal for consideration at the 2004 Annual Meeting of Stockholders, should submit such proposal in writing so that it is received by the Company at Center Pointe Two, 220 Central Parkway, Suite 2060, Altamonte Springs, Florida 32701, by not later than September 17, 2003.

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Availability Of 10-KSB

The Company will provide to shareholders, without charge, a copy of the Company's Annual Report on Form 10-KSB upon written request. Such requests should be submitted to Jonathan C. Hinz, Chief Financial Officer, International Assets Holding Corporation, Center Pointe Two, 220 E. Central Parkway, Suite 2060, Altamonte Springs, Florida 32701. Exhibits to Form 10-KSB will also be provided upon specific request.

Diego J. Veitia
Chairman

January 14, 2003

EXHIBIT I

SHARE SUBSCRIPTION AGREEMENT

THIS SHARE SUBSCRIPTION AGREEMENT ("Agreement") is made and entered into as of the 22 day of October, 2002 (the "Effective Date"), by and between INTERNATIONAL ASSETS HOLDING CORPORATION, a Delaware corporation (the "Company"), and SEAN M. O'CONNOR (the "Investor").

R E C I T A L S

A. The Company, directly or through its subsidiaries, operates a financial services company, including a market making and proprietary trading brokerage firm specializing in global securities.

B. The Company is a publicly held entity, having previously offered shares of the Company's common stock pursuant to a registration statement, and continues to file reports as to the Company's business.

C. The Board of Directors of the Company (the "Board") considers it essential to the best interests of the Company that (i) additional common equity and (ii) preferred equity will be sold to the Investor subject to the terms of this Agreement.

D. The Investor is an "accredited investor" as such term is defined in Appendix 1, and is capable of evaluating the merits and risks of an investment in the Company.

NOW THEREFORE, in consideration of the mutual covenants and agreements set forth hereinafter, the Company and the Investor agree as follows:

1. Recitals. All of the above recitals are true and correct.

2. Term. This Agreement shall commence on the Effective Date and shall terminate at 12:01 a.m. EST on the date that is the later of five (5) business days from the date of receipt by the Company of (i) the audited consolidated financial statements for the fiscal year ended September 30, 2002; or (ii) written confirmation from NASDAQ with respect to the transactions evidenced by this Agreement, but in no event later than December 15, 2002 (the "Termination Date") unless the Closing, as hereafter defined, has occurred before the Termination Date. This Agreement may be extended by the mutual written agreement of the Company and the Investor prior to the Termination Date.

3. Purchase of Securities.

(a) Subject to the terms and conditions of this Agreement, the Company offers to the Investor and the Investor hereby subscribes to purchase (i) 182,061 shares of common stock, \$.01 par value per share of the Company (such shares of common stock are referred to herein as the "Common Securities"), and (ii) 700,292 shares of preferred stock, \$.01 par value per share of the Company (such shares of preferred stock are

referred to herein as the "Preferred Securities") (the Common Securities and the Preferred Securities are collectively referred to as the "Securities"), each at a fixed price per share equal to \$1.70 (the "Per Share Purchase Price"). The aggregate purchase price for the purchased Securities shall be equal to the

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product of the Per Share Purchase Price and the aggregate number of Common Securities and Preferred Securities purchased by the Investor (the "Aggregate Purchase Price").

(b) The Preferred Securities will have the preferences, privileges, restrictions and rights specified in Exhibit "A" to this Agreement. The Board will promptly approve the terms of the Preferred Securities by adopting an amendment to the Company's Certificate of Incorporation in the form of Exhibit "A".

4. Earnest Money. The Investor will pay the Company a deposit in the amount of \$80,000 within three (3) days of the execution of this Agreement (the "Deposit"). At the Closing, the Company will apply the Deposit to the Aggregate Purchase Price as provided in Section 5. If the Agreement is terminated before the Closing, as hereafter defined, pursuant to Subsection 7(a)(i), (ii) or (iii) or Section 10 hereof, the Company will return the Deposit to the Investor. If the Agreement is terminated before the Closing pursuant to Subsection 7(a)(iv) hereof or if the Investor is unable to make full payment to the Company for the purchased shares at Closing, the Investor will forfeit the Deposit.

5. Closing and Payment. The closing of the acquisition provided for in Section 3 of this Agreement (the "Closing") shall occur on a mutually agreeable date prior to the Termination Date at the offices of Holland & Knight LLP in Orlando, Florida or at such other time and place as the parties may agree. At the Closing: (i) the Investor will pay the Aggregate Purchase Price less the Deposit by either endorsing a certified or cashier's check made payable to the Company or wiring immediately available funds to the Company's bank account (which account number has been previously provided to the Investor), and (ii) the Company will reimburse the Investor, together with the other Approved Investors, up to the aggregate sum of \$20,000 for amounts paid by the Approved Investors to any intermediaries or brokers and for the legal and out-of-pocket expenses incurred by the Approved Investors, provided that the Approved Investors shall not be entitled to such reimbursement if the Closing does not occur for any reason.

6. Conditions Precedent.

(a) The respective obligations of the Company and the Investor to effect the Closing are subject to the satisfaction or waiver by the Company and the Investor, prior to the Closing of each of the following conditions:

(i) There being no provision of applicable Law or any Court Order that prohibits or otherwise makes illegal the consummation of the Closing.

(ii) All regulatory approvals required to consummate the transaction contemplated hereby (other than the shareholder approval required for the

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conversion of Preferred Securities) shall have been obtained and shall remain in full force and effect.

(iii) No investigation, action, suit or proceeding by a Governmental Authority shall be pending on the date of Closing, which challenges, or might reasonably be expected to result in a challenge to this Agreement, or which might reasonably be expected to give rise to a claim for damages in a material amount as a result of the consummation of the transaction contemplated by this Agreement.

(iv) The Company shall have consummated simultaneously with the Closing,

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the transactions contemplated by Share Subscription Agreements of even date herewith entered into by and between the Company and each of Scott J. Branch and John Radziwill, or any assignee of each which has been approved in writing by the Company (such persons, together with the Investor, the "Approved Investors").

(v) The Company shall have received the written confirmation from NASDAQ that the transactions evidenced by this Agreement do not require prior stockholder approval.

(b) The obligation of the Investor to effect the Closing is subject to the satisfaction or waiver by the Investor of the following additional conditions:

(i) The Company shall have performed in all material respects all of its material obligations under this Agreement required to be performed by it at or before the Closing.

(ii) Any representation or warranties of the Company contained in this Agreement shall be true and correct in all material respects as of the Closing, as if made at and as of such time.

(iii) The Company and the Investor shall have entered into an Employment Agreement in the form attached hereto as Exhibit "B" (the "Employment Agreement").

(iv) The Company and the Investor shall have entered into a Registration Rights Agreement in the form attached hereto as Exhibit "C" (the "Registration Rights Agreement").

(v) The Board shall have duly adopted resolutions: (1) approving the terms of (i) this Agreement, (ii) the terms of the Preferred Securities, (iii) the Employment Agreement, and (iv) the Registration Rights Agreement; (2) authorizing an employee share incentive program to allow for options to be issued as provided in the Employment Agreement (the "Option Plan") to be proposed to the stockholders of the Company for approval at the next convened annual general meeting of stockholders currently scheduled to occur on or before February 14, 2003 (the "Annual Meeting"); and (3)

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approving an amendment to (i) the bylaws of the Company to require a supermajority vote of the greater of (A) at least five directors or (B) at least seventy-five percent (75%) of the directors to remove or change the Chairman of the Board, and (ii) the Certificate of Incorporation of the Company to also require a vote of at least seventy-five percent (75%) of the shares of common stock to remove or change the Chairman of the Board to be proposed to the stockholders of the Company at the Annual Meeting. Copies of these Board resolutions certified by the Secretary of the Company shall be made available to the Investor no later than 14 business days after execution of this Agreement.

(vi) The Company will have received a release from UBS Warburg waiving any claim to compensation arising from this Agreement or the share purchase evidenced hereby.

(vii) The Company will have secured letters of resignation from all current directors not shown on Appendix 2 and shall appoint all new directors shown on Appendix 2 effective as of the Closing.

(viii) The Company shall have entered into Employment Agreements with Diego Veitia, Edward Cofrancesco, Charles Lyons, Brian Garrow,

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Will Dennis, Jr., Doug Ross, Chris Myers and Michael Flannigan. Neither Diego Veitia nor Edward Cofrancesco shall have terminated their Employment Agreement with the Company.

(c) The Obligation of the Company to effect the Closing is subject to satisfaction or waiver by the Company of the following conditions:

(i) The Investor shall have performed in all material respects all of its material obligations under this Agreement required to be performed by it at or before the Closing.

(ii) Any representation or warranties of the Investor contained in this Agreement shall be true and correct in all material respects as of the Closing, as if made at and as of such time.

7. Termination.

(a) This Agreement may be terminated at any time before the Closing:

(i) by the mutual agreement of the Investor and the Company;

(ii) By either the Company or the Investor, if the Closing has not occurred by December 15, 2002, provided that the right to terminate this Agreement under this clause will not be available to any party whose failure to fulfill any of its obligations under this Agreement resulted in the failure to consummate the Closing by such date;

(iii) By the Investor, if there has been a material breach of any representation, warranty or covenant in this Agreement by the Company; or

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(iv) By the Company, if there has been a material breach of any representation, warranty or covenant in this Agreement by the Investor.

(b) The party terminating this Agreement pursuant to this Section will give written notice of termination to the other party.

8. Stockholder Approval. At the Annual Meeting, the Company shall seek the approval of the stockholders of the Company: (i) to allow conversion of the Preferred Securities to Common Securities; (ii) to adopt the Option Plan; (iii) to elect the persons listed on Appendix 2 to the Board; and (iv) to amend the Certificate of Incorporation of the Company to require a seventy-five percent (75%) vote of the stockholders to remove or change the Chairman of the Board. Upon the approval of the stockholders at the Annual Meeting, the Preferred Securities will automatically be converted into the Common Securities pursuant to the conversion provisions included in Exhibit "A" hereto (the "Conversion").

9. Redemption and Repurchase Rights.

(a) In the event the stockholders do not approve the resolutions permitting conversion of the Preferred Securities into common stock and the amendment to the Company's Certificate of Incorporation to require a seventy-five percent (75%) vote of the stockholders to remove or change the Chairman of the Board at the Annual Meeting: (i) the Investor will, at a redemption price equal to the Aggregate Purchase Price, have the option to cause the Company to repurchase the Common Securities and the Preferred Securities for a period beginning fifteen (15) days after the Annual Meeting and extending to the date that is six months

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from the Closing (the "Redemption Right"), and (ii) the Company will have the right to repurchase the Common Securities and the Preferred Securities from the Investor for a period beginning fifteen (15) days after the Annual Meeting and extending to the date that is six months from the Closing at a price equal to the Aggregate Purchase Price (the "Repurchase Right").

(b) In the event that prior to the Conversion: (i) the Investor's employment is terminated by the Company (other than for Cause, as such term is defined in the Employment Agreement); or (ii) the Investor is removed as a director of the Company; or (iii) Sean O'Connor's employment is terminated by the Company (other than for Cause, as defined in the Employment Agreement of even date herewith between the Company and Sean O'Connor); or (iv) either Sean O'Connor or the nominee of John Radziwill is removed from the Board, then the Company, at the Investor's option, shall repurchase the Common Securities and the Preferred Securities from the Investor at a price equal to the Aggregate Purchase Price within fifteen (15) days of such termination of employment or removal of director. In the event that prior to the Conversion, the Investor's employment is terminated by the Company for Cause, as such term is defined in the Employment Agreement, the Company shall have the option to repurchase the Common Securities and the Preferred Securities from the Investor at a price equal to the Aggregate Purchase Price within fifteen (15) days of such termination of employment.

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(c) In the event the Annual Meeting is not held on or before March 15, 2003, the Investor will, at a redemption price equal to the Aggregate Purchase Price, have the option to cause the Company to repurchase the Common Securities and the Preferred Securities from the Investor at a price equal to the Aggregate Purchase Price on or before March 30, 2003.

10. Adjusted Stockholders Equity Per Share. Notwithstanding anything to the contrary in this Agreement, either party shall have the option to terminate this Agreement prior to Closing in the event that stockholders' equity per share as determined and adjusted pursuant to this Section (the "Adjusted Stockholders Equity Per Share") is greater than \$1.75 or less than \$1.45. Stockholder equity per share shall be determined as of September 30, 2002 by the independent public accountants then regularly servicing the Company, in accordance with generally accepted accounting principles consistently applied, based on the audited consolidated financial statements of the Company, which determination shall be binding on the parties hereto. Subject to compliance with auditor independence and corporate governance considerations as effective or proposed by the SEC or NASDAQ, the Investor shall have the right to consult with the independent public accountants determining the Stockholder equity per share prior to such determination and to approve any new accounting firm if the Company's accounting firm as of the date of this Agreement resigns or is otherwise replaced. Stockholders equity per share as so determined by the Company's accounting firm shall then be adjusted as follows to determine the Adjusted Stockholders Equity Per Share:

a. Stockholders equity per share shall include the value of the Company's technology assets (which shall be deemed to be \$300,000 in aggregate at September 30, 2002) and the Company's deferred tax assets (which shall be deemed to be \$540,766 at September 30, 2002), irrespective of the auditor's treatment thereof;

b. All costs related to the transaction contemplated by this Agreement shall not be expensed but rather shall be debited directly against the capital investment made by the Approved Investors. Such expenses shall include legal and tax advisory fees, amounts paid to any

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intermediaries or brokers and the legal and out of pocket expenses incurred by the Investor (in aggregate with all other Approved Investors, not to exceed \$20,000). The aggregate of all such expenses for entire aggregate investment by the Approved Investors is not to exceed \$200,000. Any excess beyond \$200,000 to be deducted against stockholder's equity per share; and

c. The resulting Stockholders equity per share shall then be reduced by 7.5%.

11. Representations by the Investor. In connection with the purchase of the Securities, the Investor acknowledges, warrants and represents to the Company as follows:

a. The Investor is acquiring the Securities for investment for his own account and without the intention of participating, directly or indirectly, in a distribution of the Securities, and not with a view to resale or any distribution of the Securities, or any portion thereof.

b. The Investor has knowledge and experience in financial and business matters and has consulted with its own professional representatives as it has considered appropriate to assist in evaluating the merits and risks of this investment. The Investor has had access to and an opportunity to question the officers of the Company, or persons acting on their behalf, with respect to material information about the Company and, in connection with the evaluation of this investment, has, to the best of his knowledge, received all information and data with respect to the Company that the Investor has requested. The Investor has carefully reviewed all of the Company's filings with the Securities and Exchange Commission. The Investor is acquiring the Securities based solely upon its independent examination and judgment as to the prospects of the Company.

c. The Securities were not offered to the Investor by means of publicly disseminated advertisements or sales literature.

d. The Investor is acquiring the Securities without being furnished any offering materials or prospectus.

e. The Investor acknowledges that an investment in the Securities is speculative and involves a high degree of risk, including a risk of loss of the entire investment in the Company, and the Investor may have to continue to bear the economic risk of the investment in the Securities for an indefinite period. The Investor acknowledges that the Securities are being sold to the Investor without registration under any state or federal law requiring the registration of securities for sale, and accordingly will constitute "restricted securities" as defined in Rule 144 promulgated under the Securities Act of 1933, as amended (the "Act"). The transferability of the Securities is therefor restricted by applicable United States Federal and state securities laws.

f. The Investor acknowledges that each certificate representing Securities shall be subject to a legend substantially in the following form:

"The securities represented hereby have not been registered under the Securities Act of 1933, as amended or any state securities laws and neither the securities nor any interest therein may be offered, sold, transferred, pledged, or otherwise disposed of except pursuant to an effective registration statement under such act or such laws or an exemption from registration under such act and such laws which, in the opinion of counsel for the holder, which counsel and opinion are reasonably satisfactory to

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counsel for this entity, is available."

12. Representations and Warranties of the Company. The Company hereby represents and warrants to the Investor except as set forth on a Schedule of Exceptions (the

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"Schedule of Exceptions") furnished to the Investor and its counsel, and attached as Exhibit D hereto, specifically identifying the relevant section hereof, which exceptions shall be deemed to be representations and warranties as if made hereunder:

a. Corporate Existence. The Company and each of its subsidiaries are entities duly formed under the laws of their respective places of formation, are each in good standing and have a legal existence, with full power and authority to own, operate or lease their respective properties and conduct their respective businesses in the manner and in the places where such properties are owned or leased or such businesses are conducted.

b. Authorization of Transaction. Subject to the receipt of necessary third party approvals or confirmations listed on Appendix 3 hereto (the "Required Approvals"), the Company has the full power and authority to execute, deliver and perform this Agreement and the other agreements to be executed and delivered pursuant to this Agreement (the "Ancillary Agreements"); to perform its obligations hereunder and thereunder, and to carry out the transactions contemplated hereby and thereby. All necessary action, corporate or otherwise, will have been taken by the Company prior to the Closing to authorize the execution, delivery and performance of this Agreement and each of the Ancillary Agreements and the transactions contemplated hereby and thereby. Each of this Agreement and the Ancillary Agreements has been, or will be at the Closing, duly executed and delivered by the Company, and each of this Agreement and the Ancillary Agreements is, or upon the Closing will be, the legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms except (a) as limited by applicable bankruptcy, insolvency or other laws of general application affecting enforcement of creditors' rights; and (b) general principles of equity that restrict the availability of equitable remedies.

c. Capitalization. As of the date of this Agreement, the authorized capital stock of the Company consists of 8,000,000 shares of common stock, par value \$.01 per share of which 2,375,575 shares are validly issued and outstanding, fully paid and nonassessable on the date hereof, and 5,000,000 shares of preferred stock, par value \$.01 per share, none of which are issued or outstanding. In addition, on the date hereof, 527,224 shares of common stock are subject to issuance pursuant to presently existing options and warrants. There are no other outstanding options, warrants, rights, convertible securities or exchange offers providing for the issuance of common stock or any other capital stock of the Company.

d. Securities Duly Issued. Upon the issuance of the Securities at the Closing, the Securities will be duly and validly issued, fully paid and nonassessable, and will not be subject to any restrictions on transfer other than those arising under applicable federal and state securities laws.

e. Present Compliance with Obligations and Laws. Neither the Company nor any of its subsidiaries are: (i) in violation of their respective Organizational Documents; (ii) in default in the performance of any

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obligation, agreement or condition of any debt instrument which (with or without the passage of time or the

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giving of notice) affords to any person the right to accelerate any indebtedness or terminate any right; (iii) in default of or in breach of (with or without the passage of time or the giving of notice) any other contract to which it is a party or by which it or its assets are bound; or (iv) in violation of any Court Order or Governmental Authorization that is held by the Company or its subsidiaries or is applicable to any of the Company or its subsidiaries or their respective businesses or assets. Except as set forth on Section 12(e) of the Schedule of Exceptions, the Company and its subsidiaries have conducted and are now conducting their businesses and the ownership and operation of their assets in compliance with all applicable Laws, except where the failure to be in such compliance would not have a Material Adverse Effect.

f. No Conflict of Transaction With Obligations and Laws. Except as set forth on Schedule 12(f) of the Schedule of Exceptions, neither the execution, delivery and performance of this Agreement or any Ancillary Agreement, nor the performance of the transactions contemplated hereby or thereby, will: (a) conflict with or constitute a breach or violation of any provision of the Organizational Documents of the Company or any of its subsidiaries; (b) require any Governmental Authorization, (c) require any consent of any parties to loans, contracts, leases, licenses and other agreements to which the Company is a party; (d) constitute (with or without the passage of time or the giving of notice) a breach of, or default under, any debt instrument to which the Company or any of its subsidiaries is a party, or give any person the right to accelerate any indebtedness or terminate, modify or cancel any right; (e) constitute (with or without the passage of time or giving of notice) a default under or breach of any other agreement, instrument or obligation to which the Company or any of its subsidiaries is a party or by which it or its assets are bound; (f) result in the creation of any encumbrance upon any capital stock or any of the assets of the Company or its subsidiaries; (g) conflict with or result in a violation of any Court Order or Law, or give to any other person, the right to exercise any remedy or obtain any relief under any Court Order or Law, to which the Company or any of its subsidiaries is subject or by which the properties or assets of the Company or any of its subsidiaries are bound, or (h) result in a violation of any of the terms or requirements of, or give any Governmental Authority the right to revoke, suspend or otherwise modify, any Government Authorization.

g. SEC Reports. The financial statements of the Company and the related notes contained in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2001 and its Quarterly Report on Form 10-Q for the quarter ended June 30, 2002 present fairly the financial position of the Company as of the dates indicated therein and the results of its operations and cash flows for the periods therein specified. Such financial statements (including the related notes) have been prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods therein specified and are true, correct and complete in all respects.

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h. Contracts and Commitments. Set forth on Section 12(h) of the Schedule of

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Exceptions is a list of all (i) contracts, mortgages, indentures, agreements, instruments and transactions to which the Company or any of its subsidiaries is a party or by which the Company or any of its subsidiaries are bound which involve obligations of, or payments to, such company in excess of \$100,000 in the aggregate; (ii) agreements between the Company or any of its subsidiaries and the Investor; (iii) agreements between the Company or any of its subsidiaries and any officer, director, consultant, stockholder, employee, affiliate or predecessor company; and (iv) contracts, agreements, arrangements or understandings which are material to the business of the Company or any of its subsidiaries (collectively referred to as the "Material Contracts"). Copies of all Material Contracts listed in Section 12(h) of the Schedule of Exceptions have previously been made available to the Investor. All of the Material Contracts are valid, binding and in full force and effect in all material respects, subject to the effect of applicable bankruptcy, insolvency, reorganization, moratorium or other laws of general application relating to or affecting enforcement of the creditors' rights and rules or laws concerning equitable remedies. Neither the Company nor any of its subsidiaries are in material default under any such contract. Except as set forth in Section 12(h) of the Schedule of Exceptions, with respect to each Material Contract, (a) the Company or its subsidiaries, as the case may be, has performed in all material respects all obligations required to be performed to date under such Material Contract; (b) to the best knowledge of the Company, no party to such Material Contract is in default, breach or arrears under the terms of such Material Contract; and (c) to the best knowledge of the Company, no condition exists or event has occurred that, with the giving of notice or lapse of time or both, would constitute a material default under such Material Contract.

i. Litigation. Except as set forth in Section 12(i) of the Schedule of Exceptions, there is no action, suit, claim, proceeding, investigation or arbitration proceeding pending (or to the best knowledge of the Company, threatened in writing) against or otherwise involving the Company or any of its subsidiaries and there are no outstanding Court Orders to which the Company or any of its subsidiaries is a party or by which any of their respective assets are bound.

j. ERISA and Employee Benefits. Except as set forth on Section 12(j) of the Schedule of Exceptions, neither the Company nor any of its subsidiaries has contributed to or participated in any employee benefit plan subject to the Employee Retirement Income Security Act of 1974 ("ERISA"), other than medical benefit plans listed in Section 12(j) of the Schedule of Exceptions with respect to which the Company or its subsidiary, as the case may be, has made all required contributions. The Company and its subsidiary are in compliance with all laws and regulations applicable to such plans under ERISA, the violation of which, singly or in the aggregate, could have a Material Adverse Effect.

k. Government Authorizations. The Company and each of its subsidiaries holds all Government Authorizations which are required to own their respective

properties and assets and to permit the Company and its subsidiaries to conduct their respective businesses as presently conducted, except where the failure to hold such Governmental Authorization would not have a Material Adverse Effect. Set forth in Section 12(k) of the Schedule of Exceptions is a listing of all such Government Authorizations held by the Company and its subsidiaries. No consent, approval or authorization of (or

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designation, declaration of filing with) any Governmental Authority by the Company or any of its subsidiaries is required in connection with the valid execution and delivery of this Agreement, the Ancillary Agreements, or the offer or sale of the Common Securities or the Preferred Securities, or the consummation of any other transaction contemplated hereby or under the Ancillary Agreements, except for Required Approvals shown on Appendix 3.

1. Related-Party Transactions. To the knowledge of the Company, except as disclosed in SEC Filings made by the Company or listed on Section 12(1) of the Schedule to Exceptions, no employee, officer, director or stockholder of the Company or any of its subsidiaries or member of his or her immediate family is directly or indirectly interested in any material contract with the Company or any of its subsidiaries.

13. Affirmative Covenants of the Company. The Company hereby covenants with the Investor that between the date of this Agreement and the Closing, except as the Investor shall otherwise consent, the Company will do the following:

a. Conduct its business only in the ordinary course of business consistent with past practice and refrain from changing or introducing any method of management or operations except in the ordinary course of business and consistent with prior practices;

b. Refrain from incurring any contingent liability as a guarantor or otherwise with respect to the obligations of others, and from incurring any other contingent or fixed obligations or liabilities except those that are usual and normal in the ordinary course of business;

c. Maintain its equipment and other assets in good working condition and repair according to the standards that it maintained to the date of this Agreement, subject only to ordinary wear and tear;

d. Refrain from making any change or incurring any obligation to make a change in its Organizational Documents or its authorized or issued capital stock;

e. Refrain from declaring, setting aside or paying any dividend or making any other distribution in respect of capital stock, or making any direct or indirect redemption, purchase or other acquisition of its capital stock;

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f. Refrain from merging, consolidating or reorganizing with, or acquiring, any entity;

g. Use its best efforts to keep intact its business organization, to keep available its present officers, agents and employees and to preserve the goodwill of all suppliers, customers and others having business relations with it;

h. Maintain true, correct and complete books of accounts and records relating to its business;

i. Comply in all respects with all Laws applicable to the conduct of its business or its properties or assets;

j. Promptly upon its knowledge thereof, advise the Investor in writing of the termination or resignation of any key employee and the circumstances therefore;

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k. Pay all taxes, assessments, governmental charges or levies imposed upon it or its income, profits or assets, or otherwise required to be paid by it, nor fail to pay when due any liability or charge that if, unpaid, might become an Encumbrance upon any such Company's assets; and

l. Promptly upon its knowledge thereof, advise the Investor in writing of (i) any event, condition or circumstance occurring from the date hereof until the Closing that would constitute a violation or breach of any representation, warranty, covenant, agreement or provision contained in this Agreement (provided, however, that such disclosure shall not be deemed to cure any violation or breach of any such representation, warranty, covenant, agreement or provision), or (ii) any event, occurrence, transaction or other item that would have been or required to have been disclosed on any Schedule, delivered hereunder, had such event, occurrence, transaction or item existed on the date hereof, and use its commercially reasonable efforts to prevent or promptly remedy the same.

m. The Company will not, direc